

# EXHIBIT F



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**THIS TRANSMITTAL CONTAINS IMPORTANT INFORMATION THAT IS OF INTEREST TO THE BENEFICIAL OWNERS OF THE SUBJECT SECURITIES. PLEASE EXPEDITE RE-TRANSMITTAL TO SUCH BENEFICIAL OWNERS IN A TIMELY MANNER.**

**NOTICE TO HOLDERS**

**EXUM RIDGE CDO 2006-4 LIMITED, EXUM RIDGE CDO 2006-5 LIMITED, EXUM RIDGE 2007-1 LIMITED, EXUM RIDGE CDO 2007-2 LIMITED and PEBBLE CREEK LCDO 2007-3 LIMITED (collectively the "Transactions");**

**AND TO THE PARTIES LISTED ON EXHIBIT B ATTACHED HERETO.**

(CUSIP numbers for Transactions listed on Exhibit A attached hereto and made a part hereof.)

**Notice of Initiation of Mediation Proceedings**

(Notice Date: August 8, 2012)

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Reference is made to the respective Indentures governing the Transactions referenced above (collectively the "*Indentures*" and each is an "*Indenture*") under which U.S. Bank National Association serves as indenture trustee (the "*Trustee*"). Any capitalized terms used herein and not otherwise expressly defined shall have the respective meanings assigned to such terms in the Indenture.

*This notice is being provided to you because the Debtors have recently initiated mediation proceedings with respect to the above referenced transactions. Any mediation may affect your rights and interests as a holder of the Notes set forth above. The Trustee would like to discuss with you the Trustee's participation in the mediation. Please contact the Trustee using the contact information set forth below.*

Under the terms of each of the Trust Agreements, each of the Issuers entered into a credit derivatives transaction with Lehman Brothers Special Financing Inc. ("*LBSF*") as counter party, an affiliate of Lehman Brothers Holdings Inc. ("*LBHI*"), documented by an ISDA Master Agreement (Multicurrency - Cross Border) by and between LBSF (collectively with LBHI the "*Debtors*") and the relevant Issuer (the "*Master Agreements*"), one or more Schedules to the Master Agreement between the Debtors and the relevant Issuer (the "*Schedules*") and one or more Confirmations to the relevant Issuer from the Debtors (the "*Confirmations*" and



collectively with the all of the Master Agreements and Schedules, the “Swap Transactions”). LBHI served as Credit Support Party for each of the Swap Transactions.

On September 15, 2008, Lehman Brothers Holdings Inc. (“LBHI”) filed a voluntary petition seeking relief under Chapter 11 of 11 U.S.C. § 101 *et seq.* (the “Bankruptcy Code”), and thereafter on October 3, 2008, LBSF filed a voluntary petition under the Bankruptcy Code. These proceedings are pending in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) as Case No. 08-13555, collectively these proceedings shall be referred to herein as the “Lehman Bankruptcy Proceedings”.

An Event of Default exists under each of the Swap Transactions by virtue of the voluntary bankruptcy petitions filed first by LBHI and thereafter by LBSF or another Debtor counterparty; other Events of Default may exist as well. In addition, LBSF failed to pay Fixed Amounts due under the relevant swap agreements on September 22, 2008. Based on the terms of the applicable Trust Agreement, and/or based on directions received from Securityholders, the Trustee provided notice of an Early Termination Event and designated an Early Termination Date under the Swap Transactions. Thereafter, on November 28, 2008 the relevant Issuer provided Notice of Early Termination designating November 28, 2008 as the Early Termination Date. Under the terms of the applicable Trust Agreement and Swap Transaction(s), because LBSF was the sole Affected Party and Defaulting Party under the terms of each Swap Transaction, each Trust Agreement provided that any termination payment due LBSF would be paid after payments made to the Securityholders (and certain Administrative Expenses and other amounts senior to Securityholders). These payment provisions are expressly referenced in the relevant swap agreement. Had LBSF not been the Defaulting Party, each Trust Agreement provides that any termination payment would be paid from available proceeds prior to applying such proceeds to payments to Securityholders.

Judge James Peck has ruled that a change in the payment waterfall resulting from the bankruptcy filings by LBHI and LBSF constitutes an unenforceable *ipso facto* provision, and therefore the termination payment due LBSF under that swap transaction was due prior to payments to the Securityholders (as it would be in the absence of a bankruptcy default by LBHI and LBSF), and not after payments to Securityholders as contemplated by the transaction documents. The Bankruptcy Court has recently reaffirmed its position with respect to the “flip clause” in a decision rendered in *Lehman Brothers Special Financing Inc., v. Ballyrock ABS CDO 2007-1 Limited and Wells Fargo Bank, N.A., Trustee*, Adversary Proceeding number 09-01032 pending in the United States Bankruptcy Court for the Southern District of New York, although Judge Peck raised doubts on the viability of some of the Debtor’s other theories of recovery.

LBSF filed an action in the United States Bankruptcy Court for the Southern District of New York against the Trustee and the Issuer for each of the Securities. The adversary proceeding challenges, under various theories, the distribution provisions contained in each Trust Agreement with respect to the priority of payment of a termination payment to LBSF.

We previously advised you that on November 24, 2010, LBHI filed a motion seeking the implementation of dispute resolution procedures involving special purpose vehicles. On

December 8, 2010, the Trustee filed an objection to the Motion (the "*Objection*"). On March 3, 2011, the Bankruptcy Court entered an Order approving the SPV ADR procedures (the "*SPV ADR Order*").

On July 20, 2012, the Debtors initiated a mediation proceeding under the SPV ADR Order with respect to the Transactions. No schedule has yet been set for the mediation. The Trustee would like input, however, from Securityholders in each of the Transactions in connection with the Trustee's participation in the mediation. Please contact the Trustee at your earliest convenience at the following address:

**U.S. Bank National Association, as Trustee**  
**Corporate Trust Services**  
**Attn: CDO Services**  
**One Federal Street, 3rd Floor**  
**Boston, Massachusetts 02110;**  
**Attn: Jonathan DeMarco ((617) 603-6552 email:jonathan.demarco@usbank.com)**  
**or Donald Higgins ((617) 603-6717 email:donald.higgins@usbank.com)**

Receipt of this notice should not be construed as evidence or acknowledgment of any requirement applicable to, or of any right or authority on the part of any recipient under the Indenture to direct, the matters addressed herein, or of any obligations on the part of the Trustee with respect thereto, and the Trustee expressly reserves all rights in determining appropriate actions and requirements concerning these matters.

Prior to any distribution to Securityholders, funds held under the Indenture may be used first for payment of the fees and costs incurred or to be incurred by the Trustee in performing its duties, as well as for any indemnities owing or to become owing to the Trustee. These include, but are not limited to, compensation for time spent, and the fees and costs of counsel and other agents employed, to pursue remedies, defend claims, or take other actions to protect the interests of the Securityholders and the Issuer, respectively. The Trustee is not required to expend or risk its own funds in connection with any matter under the Indentures unless adequate reassurance of payment and/or indemnity is provided to it.

The Trustee reserves all rights under the relevant Indenture. Please be aware that the Trustee may conclude that a specific response to particular inquiries from individual Securityholders is not consistent with equal and full dissemination of information to all Securityholders. Securityholders should not rely on the Trustee as their sole source of information. The Trustee makes no recommendations, gives no investment, legal or tax advice. Each Securityholder should seek advice from an independent advisor based on such Securityholder's particular circumstances.

U.S. Bank National Association,  
as Trustee

**Exhibit A**

**CUSIPs**

**EXUM RIDGE CBO 2006-4**

<u>Security</u>	<u>CUSIP</u>	<u>ISIN</u>
<b>Class A Notes</b>		
Class A Rule 144A Global Note	30232UAA8	US30232UAA88
Class A Regulation S Global Note	G3286TAA6	USG3286TAA63
<b>Class B Notes</b>		
Class B Rule 144A Global Note	30232UAC4	US30232UAC45
Class B Regulation S Global Note	G3286TAB4	USG3286TAB47
<b>Class C Certificated Notes</b>		
Class C Rule 144A Global Note	30232UAE0	US30232UAE01
Class C Regulation S Global Note	G3286TAC2	USG3286TAC20
<b>Class D Certificated Notes</b>		
Class D Rule 144A Global Note	30232UAG5	US30232UAG58
Class D Certificated Note	30232UAH3	US30232UAH32
Class D Regulation S Global Note	G3286TAD0	USG3286TAD03
<b>Class E Certificated Notes</b>		
Class E Rule 144A Global Note	30232QAA7	US30232QAA76
Class E Certificated Note	30232QAB5	US30232QAB59
Class E Regulation S Global Note	G32866AA6	USG32866AA63
<b>Preference Shares</b>		
Certificated U.S. Preference Shares	30232Q208	US30232Q2084
Regulation S Global Preference Shares	G32866108	USG328661080

The above CUSIP numbers are included solely for the convenience of the Noteholders. The Trustee is not responsible for the selection or use of the CUSIP numbers, or for the accuracy or correctness of CUSIP numbers printed on the Notes or as indicated in this notice.

**CUSIPs**

**EXUM RIDGE CBO 2006-5**

<u>Security</u>	<u>CUSIP</u>	<u>ISIN</u>
<b>Class A Notes</b>		
Class A Rule 144A Global Note	30232VAA6	US30232VAA61
Class A Regulation S Global Note	G3286YAA5	USG3286YAA58
<b>Class B-1 Notes</b>		
Class B-1 Rule 144A Global Note	3023VAC2	US30232VAC28
Class B-1 Regulation S Global Note	G3286YAB3	USG3286YAB32
<b>Class B-2 Certificated Notes</b>		
Class B-2 Rule 144A Global Note	30232VAL2	US30232VAL27
Class B-2 Certificated Note	30232VAM0	US30232VAM00
Class B-2 Regulation S Global Note	G3286YAF4	USG3286YAF46
<b>Class C-1 Certificated Notes</b>		
Class C-1 Rule 144A Global Note	30232VAE8	US30232VAE83
Class C-1 Regulation S Global Note	G3286YAC1	USG3286YAC15
<b>Class C-2 Certificated Notes</b>		
Class C-2 Rule 144A Global Note	30232VAN8	US30232VAN82
Class C-2 Certificated Note	30232VAP3	US30232VAP31
Class C-2 Regulation S Global Note	G3286YAG2	USG3286YAG29
<b>Class D Certificated Notes</b>		
Class D Rule 144A Global Note	30232VAG3	US30232VAG32
Class D Certificated Note	30232VAH1	US30232VAH15
Class D Regulation S Global Note	G3286YAD9	USG3286YAD97
<b>Class E Certificated Notes</b>		
Class E Rule 144A Global Note	30232VAJ7	US30232VAJ70
Class E Certificated Note	30232VAK4	US30232VAK44
Class E Regulation S Global Note	G3286YAE7	USG3286YAE70
<b>Preference Shares</b>		
Certificated U.S. Preference Shares	30232W205	US30232W2052
Regulation S Global Preference Share	G3286U105	USG3286U1058

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CUSIPs

**EXUM RIDGE CBO 2007-1, LTD**

<b><u>Security</u></b>	<b><u>CUSIP</u></b>
<b>Class A Notes</b>	
Class A Rule 144A Certificated Note	30232XAA2
Class A Regulation S Certificated Note	G32869AA0
<b>Class B Notes</b>	
Class B Rule 144A Global Note	30232XAC8
Class B Regulation S Global Note	G32869AB8
Class B Certificated Note	30232XAD6
<b>Class C Notes</b>	
Class C Rule 144A Global Note	30232XAE4
Class C Regulation S Global Note	G32869AC6
Class C Certificated Notes	30232XAF1
<b>Class D Notes</b>	
Class D Rule 144A Global Note	30232XAG9
Class D Regulation S Global Note	G32869AD4
Class D Certificated Note	30232XAH7
<b>Preference Shares</b>	
Certificated U.S. Preference Shares	30232S204
Regulation S Global Preference Share	G32867106

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**CUSIPs**

**EXUM RIDGE CBO 2007-2, LTD**

<b><u>Security</u></b>	<b><u>CUSIP</u></b>
<b>Class A Notes</b>	
Class A Rule 144A Certificated Note	30228AAA8
Class A Certificated Note	30228AAD2
Class A Regulation S Global Note	G3286VAA1
<b>Class B Notes</b>	
Class B Rule 144A Global Note	30228AAB6
Class B Certificated Note	30228AAE0
Class B Regulation S Global Note	G3286VAB9
<b>Class C Certificated Notes</b>	
Class C Rule 144A Global Note	30228AAC4
Class C Certificated Notes	30228AAG5
Class C Regulation S Global Note	G3286VAC7
<b>Class D Certificated Notes</b>	
Class D Rule 144A Global Note	30228BAA6
Class D Certificated Note	30228BAB4
Class D Regulation S Global Note	G3286WAA9
<b>Preference Shares</b>	
Certificated U.S. Preference Shares	30228B306
Regulation S Global Preference Share	G3286W200

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CUSIPs

**PEBBLE CREEK LCDO 2007-3**

<u>Security</u>	<u>CUSIP</u>	<u>ISIN</u>
<b>Class A Notes</b>		
Class A Rule 144A Certificated Note	70509DAA8	US70509DAA81
Certificated Class A Note	70509DAF7	US70509DAF78
Class A Regulation S Global Note	G6966BAA5	USG6966BAA55
<b>Class B Notes</b>		
Class B Rule 144A Certificated Note	70509DAB6	US70509DAB64
Certificated Class B Note	70509DAG5	US70509DAG51
Class B Regulation S Certificated Note	G6966BAB3	USG6966BAB39
<b>Class C Notes</b>		
Class C Rule 144A Global Note	70509DAC4	US70509DAC48
Certificated Class C Note	70509DAH3	US70509DAH35
Class C Regulation S Global Note	G6966BAC1	USG6966BAC12
<b>Class D Notes</b>		
Class D Rule 144A Global Note	70509DAD2	US70509DAD21
Certificated Class D Note	70509DAJ9	US70509DAJ90
Class D Regulation S Global Note	G6966BAD9	USG6966BAD94
<b>Class E Notes</b>		
Class E Rule 144A Global Note	70509DAE0	US70509DAE04
Certificated Class E Note	70509DAK6	US70509DAK63
Class E Regulation S Global Note	G6966BAE7	USG6966BAE77
<b>Preference Shares</b>		
Certificated U.S. Preference Shares	70509C300	US70509C3007
Regulation S Global Preference Shares	G6966A109	KYG6966A1094

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**EXHIBIT B**

**ISSUERS**

Exum Ridge CBO 2006-4, LTD.  
c/o Maples Finance Limited  
P.O. Box 1093 GT  
Queensgate House, South Church Street  
George Town, Grand Cayman, Cayman Islands

Exum Ridge CBO 2006-5, LTD.  
c/o Maples Finance Limited  
P.O. Box 1093 GT  
Queensgate House, South Church Street  
George Town, Grand Cayman, Cayman Islands

Exum Ridge CBO 2007-1, LTD.  
c/o Maples Finance Limited  
P.O. Box 1093 GT  
Queensgate House, South Church Street  
George Town, Grand Cayman, Cayman Islands

Exum Ridge CBO 2007-2, LTD.  
c/o Maples Finance Limited  
P.O. Box 1093 GT  
Queensgate House, South Church Street  
George Town, Grand Cayman, Cayman Islands

Pebble Creek LCDO 2007-3, LTD.  
c/o Maples Finance Limited  
P.O. Box 1093 GT  
Queensgate House, South Church Street  
George Town, Grand Cayman, Cayman Islands

Exum Ridge CBO 2006-4, LTD.  
c/o Maples and Calder  
P.O. Box 309GT  
Ugland House, South Church Street  
George Town, Grand Cayman,

Exum Ridge CBO 2006-5, LTD.  
c/o Maples and Calder  
P.O. Box 309GT  
Ugland House, South Church Street  
George Town, Grand Cayman,

Exum Ridge CBO 2007-1, LTD.  
c/o Maples and Calder  
P.O. Box 309GT  
Ugland House, South Church Street  
George Town, Grand Cayman,

Exum Ridge CBO 2007-2, LTD.  
c/o Maples and Calder  
P.O. Box 309GT  
Ugland House, South Church Street  
George Town, Grand Cayman,

Pebble Creek LCDO 2007-3, LTD.  
c/o Maples and Calder  
P.O. Box 309GT  
Ugland House, South Church Street  
George Town, Grand Cayman,

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CO-ISSUERS

Exum Ridge CBO 2006-4, CORP.  
Exum Ridge CBO 2006-5, CORP.  
Exum Ridge CBO 2007-1, CORP.  
Exum Ridge CBO 2007-2, CORP.  
Pebble Creek LCDO 2007-3, CORP.

c/o Puglisi & Associates  
850 Library Avenue, Suite 204  
Newark, Delaware 19711  
Attention: Donald J. Puglisi